

Message Text

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FROM AMBASSADOR

E.O. 11652: N/A

TAGS: BEXP, ENRG, EFIN, DR

SUBJECT: GODR REQUEST FOR ELECTRIC GENERATOR VESSELS

REFS: A. STATE 294273 B. STATE 264613, C. DA 102203Z DEC 75

1. IN DISCUSSION CONTENTS REF A, ADMINISTRATOR OF DOMINICAN ELECTRIC CORPORATION (CDE), SAURI, TOLD EMBOFF THE TWO TANKER VESSELS GENERATING 5.4 MW OFFERED BY SEATRAN ARE MUCH TOO SMALL AND UNECONOMICAL FOR HIS PURPOSES. HE NEEDS TWO UNITS, ONE WITH A 20 MW CAPACITY AND ONE WITH A 30 MW CAPACITY.

2. SAURI REITERATED REQUEST TO RENT DOD BARGES, CLAIMING THE DOD ENGINEER WHO CONDUCTED SURVEY TOLD HIM DOD HAD FOUR BARGES AVAILABLE - ONE 10 MW, ONE 20 MW, AND TWO 30 MW UNITS. IF CDE COULD OBTAIN ONE 20 MW AND ONE 30 MW UNIT FOR NINE MONTHS, HE COULD THEN JSUTIFY PURCHASING U.S. PRODUCTS DESPITE BETTER FINANCIAL TERMS OFFERED BY SPANISH FOR FUTURE PRODUCTS.

3. IN THIS CONNECTION, SAURI NOTED THAT A SPANISH BANK (BANCO EXTERIOR DE MADRID) HAD MADE CDE A VERY ATTRACTIVE OFFER FOR A 116 MW THERMAL UNIT. TERMS ARE FOR AN \$8 MILLION LOAN, LONG TERM, SEVEN AND HALF PERCENT INTEREST. SPANISH BANK PROVIDES 85 PERCENT, LIMITED OFFICIAL USE

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SUPPLIER 5 PERCENT, AND PURCHASER 10 PERCENT.

4. SAURI ASSERTED HE INTENDED USE EXIMBANK LOAN (REFTEL B) FOR ACQUISITION OF FIRST 116 MW THERMAL UNIT TO BE PURCHASED IN 1976 BUT HE WOULD BE HARD PRESSED TO JUSTIFY BUYING OTHER THAN SPANISH GOODS THE NEXT TIME FINANCING OFFERED BY THEM.

5. PERHAPS WE HAVE NOT EMPHASIZED SUFFICIENTLY WHAT IS AT STAKE HERE. UNTIL NOW, DOMINICANS HAVE LOOKED TO THE U.S. AS THE PRIME SOURCE OF THEIR ELECTRIC POWER EQUIPMENT REQUIREMENTS. AT THIS TIME, THEY ARE FACED WITH A NEAR TERM SHORTAGE OF GENERATING CAPACITY AND THEY ARE ASKING US TO HELP THEM TIDE THEM OVER UNTIL NEW PERMANENT EQUIPMENT COMES ON STREAM. IN ADDITION TO THE 116 MW UNIT TO BE PURCHASED IN 1976 WITH EXIMBANK LOAN, CDE IS PLANNING ON ACQUISITION DURING NEXT 8 YEARS OF FOUR UNITS OF 116 MW, TWO OF 10 MW AND ONE OF 13 MW. THIS WILL INVOLVE A TOTAL EXPENDITURE IN THE MAGNITUDE OF A QUARTER OF A BILLION DOLLARS.

6. THE DOMINICANS ARE DISPOSED TO CONTINUE TO ACQUIRE THEIR GENERATING EQUIPMENT FROM THE U.S., WHICH IN THE PAST HAS SERVED THEM WELL. HOWEVER, IT IS NOW BECOMING MORE DIFFICULT FOR THEM TO JUSTIFY SUCH HEAVY RELIANCE ON THIS SOURCE IN THE FACE OF INCREASINGLY COMPETITIVE OFFERS FROM OTHER COUNTRIES. UNLESS THEY ARE CONVINCED THAT U.S. IS EXERTING EVERY EFFORT TO BE FULLY RESPONSIVE TO THEIR EMERGENCY NEEDS, THEY ARE LIKELY TO TURN FOR THEIR FUTURE EQUIPMENT REQUIREMENTS TO SUPPLIERS ELSEWHERE WHOM THEY WOULD CONSIDER COMPETITIVE AND RELIABLE IN RELATION TO U.S. SOURCE.

7. I URGE, THEREFORE, THAT DEPT MAKE AN INTENSIVE EFFORT TO OBTAIN DOD CONCURRENCE IN OFFERING TWO BARGES (20 AND 30 MW EACH) TO GODR, WHILE LEAVING TO DOMINICANS JUDGEMENTS RE COST FACTOR SINCE THEY HAVE OFFERED TO PAY. IT IS IMPORTANT THAT WE CONVINCE THE DOMINICANS THAT WE HAVE DONE OUR BEST TO OFFER THEM ALL AVAILABLE OPTIONS. OTHERWISE, WE STAND TO LOSE NOT ONLY SUBSTANTIAL FUTURE EXPORT OPPORTUNITIES BUT POLITICAL GOOD WILL AS WELL.
HURWITCH

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